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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter Of

Inquiry On Competitive Bidding
Process For Report To Congress

To: The Commission

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Docket WT 97-150

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

COMMENTS OF SMALL BUSINESS IN TELECOMMUNICATIONS

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SUMMARY

SBT hereby accepts the Commission's invitation to respond to its Inquiry regarding the agency's use of its competitive bidding authority. SBT cannot, despite the obvious efforts contained within the Commission's Public Notice, comment in support of the agency's past efforts to provide meaningful access to the licensing process for designated entities. The agency's published statistics within its Public Notice are meaningless, and are not calculated to provide to Congress an honest and thorough report which might guide the legislature in its future efforts. The self-congratulating tone of the Public Notice, the thin justification for the past unfettered use of auctions for licensing of spectrum, the emphasis on future revenue projections and collections, and the excuses for its past failures in providing more opportunities to designated entities, disturb SBT greatly.

It is apparent that the agency has been horribly distracted from its primary duty to manage the radio spectrum and has chosen, instead, to engage in assisting Congress in balancing the federal budget, nearly to the exclusion of all else. It is apparent that the agency has lost much of its vital independence from the political area. It is sadly true that the agency has demonstrated a growing unwillingness to consider the effect of its actions on the economies of the market, particularly as such effects have adverse consequences for small business, local economies, and designated entities.

Insofar as the agency is engaging in the inappropriate line of questions regarding collection of future revenues, SBT hereby predicts that those amounts will be decidedly less.

Large Local Exchange Carriers, Long Distance Providers, Broadband Wireless Operators and Television Broadcasters have already fulfilled their spectrum needs. The number of well financed entities which will be willing to duplicate past auction performances has, thus, been severely reduced and the amount of money to be collected at auction will reflect this fact.

SBT herein recommends that the agency report to Congress that it has done quite well in raising revenue. SBT also recommends that the agency report that it has not performed well in providing methodologies which reflect its duties in accord with Section 309(j), that it has not spent its time wisely in performing its remaining duties, and that it must now focus on its real job -- managing the radio spectrum.

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Docket WT 97-150

COMMENTS OF SMALL BUSINESS IN TELECOMMUNICATIONS

Small Business in Telecommunications (SBT) hereby responds to the Commission's request for public comments to assist the agency in reporting to Congress on the agency's past efforts in its use of its authority to engage in competitive bidding procedures in accord with 47 U.S.C. §309, *Commission Opens Inquiry On Competitive Bidding Process For Report To Congress*, Docket WT 97-150, mimeo FCC 97-232 (released July 2, 1997) (hereinafter "the Commission's Inquiry").

SBT is a nationwide association of businesses which serve the telecommunications marketplace. Its membership includes a myriad of small businesses, including operators of paging, microwave, two-way, SMR, conventional, and other services. Its ranks include women and rural operators and other persons whose access to the telecommunications marketplace has often been stifled by access to necessary capital, unbalanced regulation, unequal trade practices and competition, and a host of other ills. Voting members of SBT reap annual revenues of less than \$20 million per year and most earn less than \$3 million per year. Accordingly, using any previously administered method of identifying "small business", SBT's membership certainly

qualifies as representative of the affected class of designated entities which Congress, in its adoption of competitive bidding authority, sought to protect.

The association's goal is to promote the continuation of opportunity for small business within the telecommunications marketplace, to assist the federal government in assuring that entrepreneurs are not left out of the regulatory equation, and to assure that women, minority and rural operator-owned businesses continue to find a place in the economic mix of telecommunications. Therefore, the goals of the association are fully consistent with the efforts of Congress in its creation of Section 309(j) and the Commission's report to Congress on this issue is vitally important to SBT's members.

SBT has been quite active in providing to the Commission its views and comments in many matters related to the use of competitive bidding procedures. And given its membership and goals, it should be no surprise to the agency that SBT has been largely critical of the agency's efforts. When money, standing alone, is employed as the singular yardstick for measuring the qualifications of licensees, then small businesses are at a decided disadvantage. The Commission's Public Notice echoes its use of this single test again when it states, "[t]he Commission's primary mission in conducting auctions is promoting competition by awarding licenses rapidly to those who value them most highly," the Commission's Inquiry at page 3. SBT respectfully takes issue with the Commission's articulation of its primary mission, for what it says and for what fails to say.

What the Commission's mission statement implies is that the ability to raise capital is a meaningful litmus test of one's valuation of spectrum. This is simply untrue. A small operator of a five-channel radio system likely values another, sixth channel much more highly than a large, publicly traded corporation. The addition of that one additional channel means that the local operator can serve fifty more customers, derive additional profits, hire one additional employee, and more easily pay his bills, taxes, and contribution to local community improvement. The operator's valuation of that one additional channel is demonstrated by his investment in construction, sales and operation. He does not warehouse the spectrum or employ it to issue debt securities or use it to prop up a sagging balance sheet to show additional "intangible assets". Instead, he raises his limited capital to provide services to the public at a fair profit.

What the Commission's mission statement also ignores is the competitive nature of small business in serving the market. Thus far, the Commission's efforts have been focused on producing large competitors to existing large competitors and it has assured this approach by auctioning huge geographic area-based opportunities throughout the market. Yet, it has ignored or provided little incentive for access to those same markets by small business. Instead, the Commission's use of its newly granted authority has carried with it a requirement that successful participants at auction must also finance the construction of systems over huge areas, a dual obligation which is out of the reach of small business. SBT respectfully dismisses the agency's self-congratulatory comments within its Inquiry regarding its record in providing opportunity for designated entities, and requests that the agency honestly review its own record. SBT also

respectfully requests that the Commission report to Congress an honest evaluation of its results, including its failures.

The tone and tenor of its Inquiry are unfortunately skewed toward the public acceptance of certain premises, the validity of which are not only worthy of examination, but which examination is necessary for either the agency or the public to make meaningful comment to Congress. Instead of requesting meaningful comment, the agency appears to be reaching out for comments from industry sycophants that will acknowledge the "fine effort" of the agency in employing its authority, as though each use was justified, authorized and necessary. This form of examination is worthless, at best, and were it not so obvious, would pass as little more than an exercise in political sophistry.

Identification Of Designated Entities

And The Commission's Skewing

Small Business: The agency reports that 54% of the licenses auctioned to date have been acquired by small business. Yet, it has not revealed the definition of small business for each such auction, nor has it spoken to the markets obtained by small business, nor has it provided data regarding the amount of spectrum obtained for use by small business, nor has it assessed the variance in pricing for small business as compared to large, and it has not shown that its subjective definition of small business for each auction has any relevant basis in reality or in meeting the intent of Congress. Accordingly, SBT respectfully requests that the agency

provide to Congress a more thorough analysis of its record than the bare percentage offered in the Commission's Inquiry. Specifically, SBT recommends that the agency provide the following data:

(1) information about acquisition of licenses by small business employing a single definition of small business, supplied by the U.S. Small Business Administration. The Commission's past auctions define and redefine the term "small business" to apply the now vague term to each new situation. For example, the Commission's past use of a \$125 million annual revenue benchmark for small business defies logic and should not be employed for demonstrating any fidelity to the will of Congress. SBT recommends that small business be defined as companies which earn gross revenues in an amount which is less than \$15 million per year, including "revenues" derived by debt financing, and even this definition is quite liberal given the actual operating revenues of the vast majority of small businesses operating in the telecommunications marketplace.

(2) information regarding the actual markets to be served by small business. The agency's use of its 54% figure awards equal favor to it for granting a license in American Samoa as it does in New York City. This is absurd. Congress intended that small business be provided access to all markets, not just remote areas or largely unpopulated sections of the Country. For the agency to ignore or wash away this more accurate examination of its past efforts is inappropriate.

A more logical and meaningful examination would employ megahertz over population figures, not just a license count.

(3) information regarding relative cost to small business through participation in competitive bidding procedure. Nothing contained within the Public Notice examines the fact that small business participants in past auctions have paid or have promised to pay more for spectrum opportunities than large businesses. SBT performed such an analysis for the 900 MHz SMR auctions and determined that small business paid prices which were 50% higher than large for its spectrum, see, attached Exhibit A. Within that analysis the agency can also note that the higher prices to small business occurred even after figuring in the effects of bidding credits. SBT strongly believes that the same circumstances will be mirrored in each auction.

By performing the studies suggested above, the Commission can honestly evaluate the success of its competitive bidding procedures as they relate to small business. SBT has carefully monitored the Commission's past actions and has discovered that despite its claims to the contrary, the agency has not yet approached any semblance of conformity with the language contained within the Act and that its efforts are moving farther and farther away from any recognizable attempts at ever meeting the mandate of Congress. For example, its recent decision in the future allocation of 800 MHz SMR spectrum suggests a termination in its use of installment payments. The removal of this vital benefit is wholly contrary to its past statements

of compliance with the Congressionally mandated admonitions regarding designated entities and will result in placing access further outside the reach of small business.

Women and Minority-Owned Businesses: The Commission's record in providing access to licensing opportunities for these classes of designated entities is a nullity and the agency is not able, contrary to the provisions of the Act with which it now seeks to comply, to provide even a scintilla of credible evidence to Congress regarding its record in this area. Its past comments in other proceedings state that the Commission has not had presented to it sufficient information to provide opportunity for these classes which would justify its taking specific actions to remedy past abuses. This excuse for failing to take any recognizable action rings entirely hollow. The Commission's failure to take action cannot be justified by an attempt to shift the burden onto the public to perform those studies which Congress has charged the agency to perform. Certainly, the comments received in numerous proceedings from women and minorities indicate clearly that past abuses have occurred, particularly in the area of access to capital in developing the resources necessary to participate in competitive bidding procedures. Accordingly, the Commission is not now positioned to comment to Congress on this matter and should so inform Congress that whatever efforts the legislature expected from the agency have simply not been performed.

Rural Telephone Companies: The Commission has provided little, if any, assistance to this class of designated entities. Instead, the Commission has moved in a manner which is calculated to circumvent the articulated needs and demands of this class of carriers, which have

been presented to the agency in numerous rule makings. For example, the Commission has crippled the future of Basic Exchange Telephone Radio Service and Rural Radio Service through its decisions to auction paging channels and to auction 800 MHz spectrum. Rural telephone service is being offered second-class status for secondary use of these channels, or being fed speculative promises regarding future access to necessary spectrum via disaggregation and partitioning of wide-area licenses. These crumbs from the table fall far short of the agency's requirement under Section 309 and the agency should not report to Congress that it has even begun to fulfill its obligations in this area.

As clearly articulated above, the agency should present a clear picture to Congress of the results of its use of auction authority and the effects on designated entities. It should also note that it has spent little, if any, effort in determining whether alternative licensing methods are prudent for the allocation of spectrum. Instead, the agency has jumped through political hoops, bent the facts and the law, and ignored the cries of licensees of every stripe, to move its auction agenda rapidly forward to the detriment of all else. The agency has, thus, attempted to redefine its mission in an effort to reconcile its unfettered use of auctions for the sole purpose of collecting revenues for the U.S. Treasury, as against its now forgotten duty to manage the radio spectrum. The Commission's Inquiry cites its holding of 14 auctions over the past four years. During the same period, did the Commission resolve 14 instances of harmful interference between commercial operators? SBT has grave doubts as to whether the agency has any intention to perform its primary duty of spectrum management beyond its number crunching of possible revenue collection.

Response In Accord With Section 309(j)(12)

To further assist the Commission in its analysis, the following specific comments to those issues 1-5 on page 2 of the Commission's Inquiry are respectfully offered below:

- 1) contain a statement of the revenues obtained, and a projection of future revenues from the use of competitive bidding systems;

SBT will leave to the Commission the job of counting the monies received thus far. Projections of future revenues are interesting for "scoring" the legislation to the ends of the Congressional Budget Office, but have little to do with the Commission's task of assuring that the regulations and policies created are meted out in an even-handed fashion, while fulfilling the agency's primary duty to manage the use of the radio spectrum. However, SBT does submit that the amount per megahertz received to date, through use of competitive bidding, will drop. The reasons are obvious. First, the large players who participated in the A and B Block PCS auctions have obtained and satisfied their spectrum needs. Those same entities are unlikely to participate in future auctions with an equal amount of zeal, thus, the amount of revenue to be derived will be reduced from those entities which are most likely to bid large amounts and also be able to pay huge sums.

Auctions may net large bids in the future from speculative entities like those that participated in the PCS Block C auctions, but the agency has now witnessed what happens when hubris and greed are the primary ingredients of an auction -- financing collapses, defaults occur,

bankruptcy is visited on participants, and the federal government is left with worthless notes. SBT suspects that the agency will take steps to reduce its future risk in auctions, and its likely response will be detrimental to small business. This prediction is not made lightly. It is, instead, a reflection of the Commission's past actions, which have consistently placed revenue collection ahead of consideration for small business.

The latest predicted amounts which Congress, through its budget negotiations with the Administration, has determined will be collected via future auctions is equal to \$20 billion. This is highly doubtful. Nor will the creation of "reserve bids" favoring the federal government and attempting to push up prices in future auctions, be successful. Instead, the steps being considered will simply make spectrum an increasingly unattractive investment for large corporations, while simultaneously denying access to small business.

2) describe the competitive bidding methodologies established by the Commission pursuant to Sections 309(j)(3) and (4) of the Communications Act;

3) compare the advantages and disadvantages of the competitive bidding methodologies established by the Commission in terms of attaining the objectives described in Sections 309(j)(3) and (4) of the Communications Act;

There is no doubt, inside or outside the agency, that the methods chosen for auctions have been specifically designed to reap the last dollar from each auction. If the agency's

primary duty was the collection of revenues, absent the effects of defaults by participants which are increasing steadily, the agency's chosen methodologies would be worthy of the highest kudos and laudatory remarks. Even considering the problems associated with the WCS auction, which the agency is blaming on Congress and vice-versa, the Commission's overall approach to auction has been as ruthless as any unregulated monopoly provider. Congress need consider little more than the fact that an underfunded, small, independent agency has collected \$20 billion as against an operating budget of just over \$130 million and the effects of the Commission's methodologies are clear. The agency has moved heaven and earth and law to assure that its efforts would squeeze the last nickel out of each auction participant. If the public interest can be reduced to a dollar figure, Congress can be proud of what the agency has accomplished. Certainly, the public interest in the allocation of spectrum has been measurably served using an taxation ruler. However, if we are to believe the language contained in the Act which states that the raising of revenue is not to be the primary goal of the agency, then SBT must respectfully report that the methodologies of the Commission are poor.

The Commission has encouraged speculation in its bidding practices. Its use of bidding credits, in lieu of entrepreneurial blocks, has set large operators against small in the race to obtain opportunity, while ill equipping small business to compete. Its use of large blocks of spectrum across large geographic areas has created tantalizing assets for exploitation by the financially focused versus the service oriented. Its entire package of auction related regulation has been driven by a single vision, the collection of revenue. And so its methodologies have demonstrated the agency's fidelity to the singular talisman of federal budget balancing.

SBT recognizes the now tired excuses given by the agency. They are repeated in this Inquiry. The agency likes to say that spectrum is licensed faster, administrative costs are lower, and an auction encourages persons to deliver services to the market to justify the payments made at auction. This is, of course, windy window dressing to justify otherwise ruthless regulation. It is the stuff of politics and polemics, when one recognizes the obvious contradictions and the reedy repeated excuses create a thin justification for acts that are otherwise unjustifiable. Facts are much more difficult to adjust than argument.

Fact One: Money paid to the federal government is unavailable for the construction and development of competitive services to the public. Therefore, all monies collected by the agency are necessarily listed as a cost item on licensees' books to be recovered from the marketplace. The net effect is that consumers will pay higher prices for goods and services.

Fact Two: Allocation of large blocks of spectrum, with extended build-out schedules and construction deadlines, encourages spectrum warehousing not the creation of new, competitive services.

Fact Three: The cost of administering the auction programs is no less than the cost of administering the traditional licensing programs, and is likely more. The competition for large assets draws litigation and appeal which loads additional cost into the system. If one adds to that cost, the agency's cost of administering any frequency relocation program, the agency's costs of traditional licensing are an even smaller percentage of auction administration. The

Commission's tired excuse regarding the number of lottery applications received in past efforts and the cost of examining each for consideration, is simply a manipulation of the facts. The problem was not in the Commission's processes, but in its lack of political will to curtail the effects of application mills and other illegitimate operations. The Commission's complaints had little to do with the problem, and everything to do with the symptom. However, SBT regrettably suggests that the problem was allowed to continue (even through the auction processes) because it justified a pro-auction political agenda. Serious examination of the problem was not begun until the government itself was made a victim through defaults on auction payments.

Fact Four: The cost of disenfranchising small business is felt dearly in our nation's economy, in the form of taxes, employment, and less local economic development. No honest evaluation of the agency's use of auctions can be found to be supportive of the needs of small business, regardless of the self-congratulatory language in the Inquiry and similar agency pronouncements. The agency's actions are akin to the recent history of Atlantic City. While the casinos are reaping huge profits, the city is deteriorating, due to unequal incentives and rewards in the development of the seashore.

Fact Five: The auctions are not "market driven" as that term would apply to consumer demand. Many of the goods and services which auction participants claim will be delivered to the marketplace have no corresponding market sufficient to justify the costs at auction and the cost of construction. Ergo, the use of auctions in encouraging over building of the spectrum in a manner which relies on an unsubstantiated market for the corresponding services is simply

unsupportable. SBT believes that many persons will opt for the most cost effective alternative, which is not predicted to be delivered by any allegedly emerging services. The competition, which the agency claims to be promoting, will likely never leave Wall Street to appear on Main Street.

4) evaluate whether and to what extent:

(i) competitive bidding significantly improved the efficiency and effectiveness of the process for granting radio spectrum licenses;

(ii) competitive bidding facilitated the introduction of new spectrum-based technologies and the entry of new companies into the telecommunications market;

(iii) competitive bidding methodologies have secured prompt delivery of service to rural areas and have adequately addressed the needs of rural spectrum users;
and

(iv) small businesses, rural telephone companies, and businesses owned by members of minority groups and women were able to participate successfully in the competitive bidding process;

See, comments *supra* and SBT respectfully requests that the Commission answer each of the above honestly and not in an effort to justify or applaud its past actions without meaningful analysis. For example, can the agency honestly state that legitimate small business has been benefitted or has largely participated in meaningful auctions? For the purpose of this

analysis, SBT respectfully suggests that the agency exclude as successes the following in its remarks to Congress:

IVDS Auction Participants: This group of small businesses, including many women and minorities, discovered too late that the licenses purchased at auction are, by in large, worthless and that the claims made by the agency were specious at best. The absence of an equipment manufacturer and the presence of rules which protected existing entities to the extreme detriment of auction winners, were known or should have been known by the agency prior to the commencement of the auction. The results have been wholly disastrous for all and no credit should be applied to the agency in inviting this harm upon the participants.

900 MHz SMR Participants: The inequities of payments that arose from this auction should stand as clear example of the agency's failure to accommodate the needs of small business. The time and cost of participation were extremely high and the rewards were distributed mainly among the largest participants. Were that not enough, the agency allowed participation from Motorola and Nextel Communications, Inc., both of which were subject to a Consent Decree from the U.S. Department of Justice regarding the acquisition of additional SMR spectrum. No consideration of that Consent Decree was apparent in the agency's actions, and the later recognition of the problem allowed Motorola to sell its Houston MTA license to another carrier, rather than the agency simply taking back the spectrum for reauction.

PCS Block C Participants: SBT respectfully points out to the Commission that any entity which is able to commit to the payment of over a billion dollars is not a small business. Any attempt to characterize such entities as small businesses flies in the face of any logical effort to include small business as an important and statutorily protected class of persons. Accordingly, SBT requests that the agency's efforts with regard to this auction be fully discounted in any assessment of its efforts to comply with its Congressional mandate.

Following its more complete analysis of the record, applying a logical and honest assessment of its efforts to date, the agency will discover and report that its efforts to date have created an abysmal record regarding designated entities. SBT takes no joy in leveling this claim against the Commission. It would rather be lauding the Commission for its tangible efforts in employing (and sometimes deciding not to employ) competitive bidding authority in its licensing of radio spectrum. Were that only possible. But the agency's blind push forward toward more and more auctions, without regard to the havoc being wrought upon the telecommunications market and the customers it serves, is without conscious or direction that reflects any public interest analysis short of filling the national coffers.

5) recommend any statutory changes that are need to improve the competitive bidding process.

Attached hereto are the legislative changes which SBT recommends are necessary to forestall the increasing injury on small businesses, in particularly existing licensees, that the

unfettered use of competitive bidding has visited upon the industry. The language is intended to restrain the agency's future use of competitive bidding, since the Commission appears unwilling or unable to restrain its own tendencies toward the unjustified use of this authority. It should be noted that the language does not attempt to end the use of competitive bidding authority. SBT has always claimed that some, limited use of the authority is appropriate. However, it is clear that the agency has not been able to control itself in this area and its recognition of this problem should guide it toward seeking greater clarification of when and how its authority might be used. Additionally, the suggested language will provide the agency with greater legislative ammunition against those entities which have speciously claimed that the agency must employ auctions in each instance. To the contrary, competitive bidding is only to be used to resolve incidents of mutual exclusivity. Nothing contained within the Act suggests that the same authority should be used as a gambit toward the creation of incidents of mutual exclusivity.

The Commission's Questions

The bulk of the Commission's Inquiry is such an obvious attempt to shore up its poor record by the choice of language in each question, that SBT respectfully suggests that answers to those questions are, in many instances, not likely to net meaningful answers. The questions for comment, as written, are obviously intended to affect the answers sought to cause responses which might be politically beneficial to the agency in its report to Congress. However, to fulfill the Commission's request, the following is provided:

Question: How have the Commission's auction rules affected revenues in the first fourteen spectrum auctions? Please be specific.

Answer: Each auction has been designed to attract the most speculative participants promising the greatest return to the federal government. The methodologies employed are costly, time consuming, and directed at assuring the greatest level of mutual exclusivity with the apparent intention of deriving the greatest value for each license. The 900 MHz SMR auction went on for months and the eventual results were a greater concentration of SMR spectrum into the hands of the largest entities. A review of the number of small business participants who dropped out is also telling, as the Commission's methods drove prices up and small competitors out.

Question: How and to what extent has the amount of spectrum being offered for auction, size of the license areas, the timing of the offerings, and the use for which the spectrum is allocated, affected revenues?

Answer: The greater sizes of spectrum blocks has attracted financial speculators into the market which are able to attract limited financial backing. The results, as in the PCS Block C auctions, was a flurry of speculation and later defaults. Although the large blocks across large geographic areas has

attracted these "new entrants", it has also discouraged participation by legitimate small business that cannot obtain the necessary access to capital to play in this whirlwind game of speculation. The net effect on revenues is irrelevant, as the Commission's duty is not intended to focus on maximizing revenue collection, therefore, its focus in its report to Congress should eschew this line of inquiry as inappropriate.

Question: What other factors have affected the revenues derived from the spectrum auctions conducted to date?

Answer: Defaults by auction participants arising out of two factors: (1) improper bidding beyond the financial means of the participant; or (2) improper description of what was to be auctioned and the economic potential for the new service, e.g. IVDS. Again, the line of inquiry is inappropriate and not reflective of the agency's primary duty to focus on management of the radio spectrum, not the sale of same or the revenues derived from such sales.

Question: What methodologies should the Commission use to project future revenues? Please provide specific illustrations of how such methodologies might be applied.

Answer: Projection of future revenues should not be a matter for the agency's future concern. Such projections will cause the agency to claim "failure" when less than the projected amount is collected and seek methods of bleeding the marketplace through more onerous auction rules, if possible. This is a wholly inappropriate use of the agency's time and authority and should be left to the Congressional Budget Office. It should be noted that SBT is quite uncomfortable with this continuing line of questions that appear in the Commission's Inquiry. Use of competitive bidding processes are, by law, intended to resolve incidents of mutual exclusivity and only secondarily intended for the purpose of raising revenue which are expected to reflect "fair market value." Any methods proposed which are intended to return an arbitrary amount alleged to be the fair market value of spectrum sold, are machinations and manipulations which are intended to detract from the agency's statutory authority.

Question: Are there specific examples of where the simultaneous multiple round auction methodology has facilitated efficient aggregation of complementary licenses?

Answer: None known.

Question: What costs have been incurred in the preparation of bids? Have these costs been significantly affected by the duration of the actions? How do these costs compare to the costs associated with lotteries and comparative hearings?

Answer: The costs for preparation and participation in auctions have been quite high, usually running into the tens of thousands of dollars and outstripping all other non-comparative hearing methods employed to date. The costs for participation in comparative hearings is obviously higher than any other method, except if one figures in the amount paid at auction. Then the costs for comparative hearings are less for licensees. Auction payments plus participation are the highest cost per license paid thus far.

Question: How has the use in connection with auctions of electronic application filing, electronic bidding, and the distribution of information via the Internet improved the efficiency and effectiveness of granting spectrum licenses?

Answer: If the agency must have an auction, the use of the electronic bidding procedure makes sense, excepting the cost per minute for telephone service to participate, which is too high and which is likely being provided by a carrier that is deriving a healthy profit.